

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 NEA-10 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 XMB-02 OPIC-03 IO-10 /124 W

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P R 141817Z NOV 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 9990

INFO ALL EC CAPITALS 1336

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

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OECD PARIS PASS PELIKAN; DEPT PASS TREASURY FOR CANNER  
AND EXIMBANK FOR MINIKES AND AMBACH

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT -- EC IMPASSE CONTINUE

REF EC BRUSSELS 9410

1. SUMMARY. THE EC EXPORT CREDIT WORKING GROUP MADE NO PROGRESS  
IN BREAKING ITS IMPASSE OVER THE PROPOSED GENTLEMEN'S AGREEMENT.  
FRANCE CONTINUES TO BE ISOLATED OVER ITS DESIRE TO LOWER THE  
MINIMUM INTEREST RATE TO BELOW 7 PERCENT IN SELECTED CASES. THE  
GROUP DID NOT TAKE UP THE POSSIBILITY THAT THE AGREEMENT MIGHT  
BE DISCUSSED AT THE SUMMIT AT RAMBOUILLET. A RECENT EC COURT OF  
JUSTICE OPINION MAY GIVE THE EC EXCLUSIVE JURISDICTION TO  
NEGOTIATE INTERNATIONAL EXPORT CREDIT AGREEMENTS. COMMISSION  
OFFICIALS SAY THAT THE COMMISSION WILL NOW ENDEAVOR TO TAKE  
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OVER THE CURRENT NEGOTIATIONS. END SUMMARY.

2. THE EC EXPORT CREDIT WORKING GROUP MEETING OF NOV 14 CONTINUED TO BE AT LOGGERHEADS OVER THE EXPORT CREDIT GENTLEMEN'S AGREEMENT. EIGHT MEMBER STATES PRESSED FOR A MINIMUM INTEREST RATE OF 7.5 PERCENT FOR CREDITS OF 2-5 YEAR MATURITIES AND A SCALING UP OF RATES FOR LONGER MATURITIES. THE FRENCH REPRESENTATIVE, HOWEVER, ASKED FOR MINIMUM RATES BELOW 7 PERCENT FOR 2-5 YEAR MATURITIES. FRANCE ALSO SOUGHT TO INCLUDE IN THE AGREEMENT AN ALTERNATIVE OF EITHER EXTENDING THE MATURITY PERIOD OR LOWERING THE MINIMUM INTEREST RATE FOR LONGER TERM CREDITS. THE FRENCH REPRESENTATIVE WITHDREW HIS OCT PROPOSAL (SEE REFTTEL) AND ESSENTIALLY RETREATED TO FRANCE'S EARLIER POSITION OF KEEPING THE MAXIMUM MATURITY PERIOD TO 10 YEARS. THE FRENCH PROPOSAL WAS REJECTED BY THE OTHERS.

3. THE WORKING GROUP HAS NOW CONCLUDED THAT AN IMPASSE EXISTS. IT WILL TAKE UP ON DEC 18-19 A REPORT TO THE COMMITTEE OF PERMANENT REPRESENTATIVE THAT NO FURTHER PROGRESS CAN BE MADE. THE GROUP CONSEQUENTLY IS STILL NOT PREPARED TO RESPOND TO THE FOUR ALTERNATIVE PROPOSALS WHICH THE US PUT FORWARD IN JULY. NO REPRESENTATIVE STATED THAT THE AGREEMENT WOULD BE DISCUSSED AT THE RAMBOUILLET SUMMIT.

4. IN A RELATED DEVELOPMENT, THE EC COURT OF JUSTICE DELIVERED AN OPINION ON NOV 11 THAT UNDER ARTICLE 113 OF THE TREATY THE COMMUNITY MAY HAVE EXCLUSIVE JURISDICTION IN EXPORT CREDIT LEGISLATION AND NEGOTIATION. THE COMMISSION HAS NOT YET HAD TIME TO OBTAIN A LEGAL INTERPRETATION OF THIS OPINION. THE RULING APPEARS TO PLACE EXPORT CREDIT MATTERS WITHIN THE AREA OF COMMON COMMERCIAL POLICY. COMMISSION OFFICIALS BELIEVE THE FRAMEWORK OF THE ONGOING GENTLEMEN'S AGREEMENT NEGOTIATIONS WILL BE CHANGED. INSTEAD OF THE MEMBER STATES COOPERATING UNDER THE EC UMBRELLA, THE COMMISSION NOW WILL HAVE TO BE GIVEN THE ROLE OF NEGOTIATING IN THE NAME OF THE COMMUNITY.

5. COMMISSION OFFICIALS SAY THEY PLAN TO MAKE THE GENTLEMEN'S AGREEMENT THE TEST CASE OF THE COURT OPINION. THEY WILL SEEK A MANDATE FROM THE EC COUNCIL TO NEGOTIATE AN "INTERNATIONAL AGREEMENT" ON EXPORT CREDITS. COMMISSION OFFICIALS SAY THAT EIGHT MEMBER STATES WOULD LIKELY SUPPORT SUCH A MANDATE. FRANCE MAY FIND IT MORE DIFFICULT TO BLOCK FURTHER NEGOTIATIONS BECAUSE LIMITED OFFICIAL USE

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THIS WOULD NOT BE A MATTER WITHIN THE EC COMPETENCE.

6. COMMENT. IT IS TOO EARLY TO JUDGE THE SIGNIFICANCE OF THE COURT'S OPINION. THE MISSION WOULD PREFER TO WITHHOLD COMMENT UNTIL IT HAS CONSIDERED THE COMMISSION'S LEGAL INTERPRETATIONS OF THE RULING. MEMBER STATES HAVE VETOED COMMISSION PROPOSALS IN THE PAST AND AT THIS TIME WE SEE NO REASON WHY FRANCE OR ANOTHER MEMBER STATE MIGHT NOT VETO A MANDATE TO NEGOTIATE A

GENTLEMEN'S AGREEMENT. INDEED, SO FAR MOST OF THE MEMBER STATES HAVE PREFERRED TO NEGOTIATE IN A COOPERATIVE FRAMEWORK IN ORDER TO PRESERVE THEIR FLEXIBILITY. THUS, THE COMMISSION MAY NOT OBTAIN THE MEMBER STATE SUPPORT FOR A COUNCIL MANDATE THAT IT EXPECTS. END COMMENT.

7. MRS ARCHIBALD OF THE COMMISSION WILL CARRY A COPY OF THE COURT'S OPINION TO WASHINGTON AND WILL BRING THIS UP DURING HER CONSULTATIONS ON NOV 17-19. GREENWALD

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, EXPORT CREDIT GUARANTEES, MEETINGS, GOVERNMENT REACTIONS, CREDIT AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ECBRU10271  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750397-0592  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t19751143/aaaablyb.tel  
**Line Count:** 124  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 EC BRUSSELS 9410  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** SmithRJ  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 APR 2003 by BoyleJA>; APPROVED <03 OCT 2003 by SmithRJ>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EXPORT CREDIT GENTLEMEN'S AGREEMENT -- EC IMPASSE CONTINUE  
**TAGS:** EFIN, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006